



IPO Details

Opening Date	Feb 28, 2023
Closing Date	Mar 02, 2023
Stock Exchange	BSE SME
Lot Size	2000 Shares
Issue Price	₹ 51 per share
Issue Size	17,00,000 Equity Shares
Application Amount	₹ 1,02,000

IPO Objective

To meet the working Capital Requirement
To meet the Issue Expenses
General Corporate Purposes

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	29,84,997	89.67%
Public	3,43,729	10.33%

Promoter of the Company

- 1 Mr. Gaurav Mittal
- 2 Mrs. Swati Jain

Competitive Strengths

- 1 Strong Management Team and Human Capital.
- 2 Diverse range of service offerings.
- 3 Cost competitive solutions.
- 4 Strong customer relations with top clients.

Company Background

- Company was incorporated in the year 2007 in New Delhi.
- Company is engaged in the business of providing human resource services to both public and private organizations mostly in organized sector in diverse roles and responsibilities.
- Their services primarily include 1) Manpower Supply/Recruitment Services; and 2) Manpower Sourcing/Staffing Services.
- They have well-known and reputed clients from the Information Technology, Staffing & Recruitment, Food, FMCG space amongst others, which include MNCs.
- As on 30th November 2022 company has 38 permanent employees and 871 associate employees.

Financial Summary

For the Period Ended	(In Lacs)		
	Sep-22	Mar-22	Mar-21
Total Assets	341.21	470.71	792.37
Net Assets	104.31	223.42	462.23
Total Borrowings	136.33	106.23	176.70
Total Revenue	842.48	1,820.36	1,605.05
Profit After Tax	7.53	119.11	106.12

Tentative Timeline

Opening Date	Feb 28, 2023
Closing Date	Mar 02, 2023
Basis of Allotment	Mar 08, 2023
Initiation of Refunds	Mar 09, 2023
Credit of Shares to Demat	Mar 10, 2023
Listing Date	Mar 13, 2023



Table of Contents

1 Company Overview.....

2 Industry Charts.....

3 Investment Overview.....

4 Promoter & Promoters' Profile.....

5 Financial Analysis.....

6 Key Risk Factors.....

7 Track Record of Lead Manager.....

8 Recommendation.....

9 Disclaimer.....



Company Overview

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Analysis

The company has a very good experience in their field of operations, with the Company being in the business for almost 1.5 decades now.

Company's major businesses can be divided into two heads viz. Manpower Supply/Recruitment and Manpower Sourcing/Staffing Services.

Services offered by the company is as follows:

- IT Staffing
- General Staffing
- Re-badging- Re-badging is the acquisition/legal transfer of ownership of the relevant staffing resources, professional services personnel, and/or software developers from the originating, or incumbent company over to the re-badging entity
- Recruitment Process Outsourcing (RPO)- business process technique in which a company relies on an external agency to perform all or some of its talent acquisition tasks.
- Pass through Services
- Payroll Services
- Managed IT Services
- Product Installation and Servicing Solutions

The company serves in public as well as private sector and the revenue breakup of the same is provided below-



Sector	September 30, 2022		March 31, 2022		March 31, 2021		March 31, 2020	
Government	407.48	25%	508.25	28%	268.41	32%	294	35%
Private	1,197.57	75%	1,297.01	72%	563.81	68%	540.14	65%
Total	1,605.05		1,805.26		832.22		834.14	

3/4th revenue pertains to the private sector whereas 1/3rd to the government sector.

The company has PAN India Presence. A table depicting the same has been provided below to get a better understanding of its geography-wise revenue.

State	September 30, 2022	%	March 31, 2022	%
Karnataka	676.43	45.60%	336.47	20.52%
Maharashtra	421.09	28.38%	538.66	32.85%
Delhi	177.24	11.95%	438.55	26.75%
Uttar Pradesh	74.99	5.05%	92.06	5.61%
Tamil Nadu	66.59	4.49%	64.14	3.91%
Telangana	16.51	1.11%	17.75	1.08%
Haryana	15.71	1.06%	61.35	3.74%
Rajasthan	11.4	0.77%	19.49	1.19%
West Bengal	9.39	0.63%	20.62	1.26%
Goa	4.41	0.30%	-	0.00%
Gujrat	3.81	0.26%	17.21	1.05%
Himachal Pradesh	2.92	0.20%	3.25	0.20%
Andhra Pradesh	1.54	0.10%	5.17	0.32%
Kerala	1.52	0.10%	0.13	0.01%
Jharkhand	-	0.00%	16.42	1.00%
Bihar	-	0.00%	7.37	0.45%
Chandigarh	-	0.00%	0.95	0.06%
Total	1,483.55		1,639.64	

Karnataka, Maharashtra and Delhi are the states it generates its major revenues from. However, one can see that there has been changes in the proportion of state wise revenue indicating a dynamic nature of the company in generating its revenue and customer loyalty.

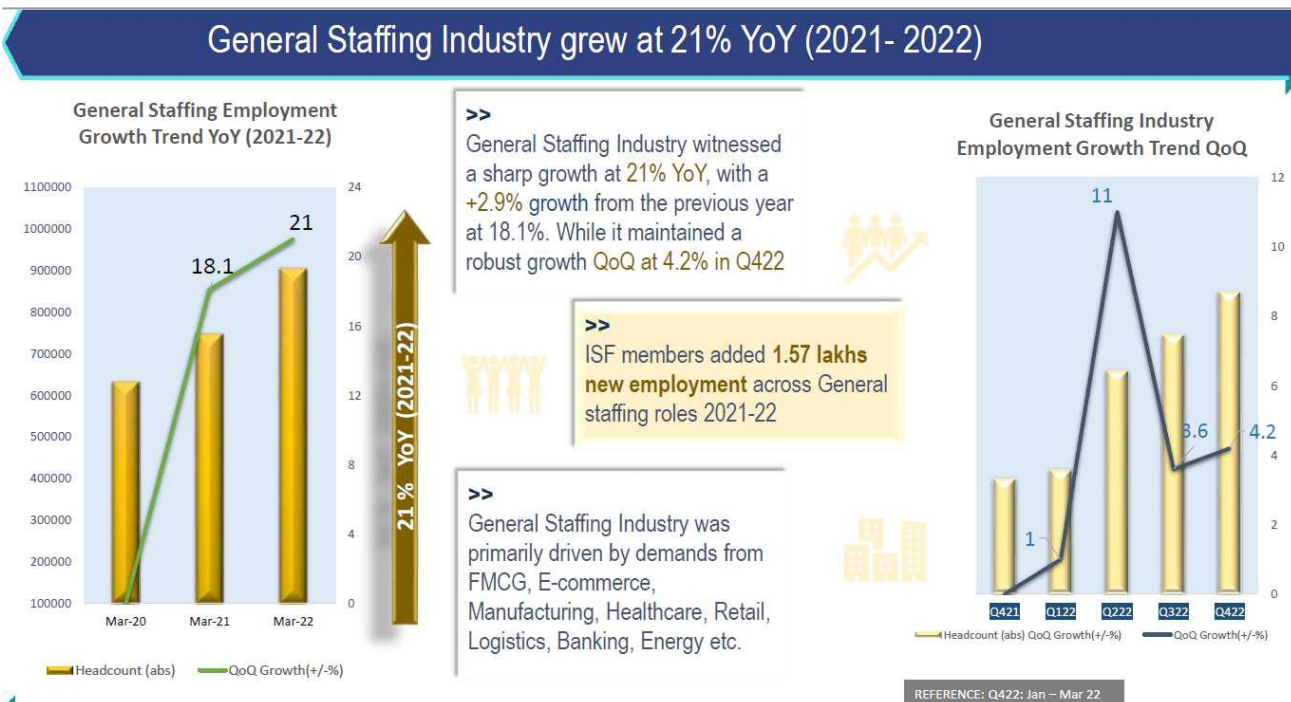
Overall, the company has a good Prospect as it offers end to end services for staffing but also faces very high competition as large number of players are present in the market. If the company is able to provide quality service while gaining high ticket clients, it could be fruitful for the company.

Industry Charts

Exhibit 1: Staffing Industry YoY Growth



Exhibit 2: General Staffing Industry growth YoY



(Source: prospectus)



Investment Overview

INDIAN STAFFING INDUSTRY

1. Staffing industry added new employment at a sharp 21.9 % YoY 2021 22, compared to a 3.6 % new employment generated in the previous year.
2. With robust employment demand seen from across sectors, 100 + members of Indian Staffing Federation employ 1.26 mn flexi workforce (March 2022).
3. The new employment generated was at a much sharper growth rate than eve pre pandemic years.
4. Staffing members at ISF added 2.27 lakhs new formal workforce in 2022.
5. General Staffing Industry nett new employment grew at 21 %, adding 1.57 lakhs new formal workforce, from the year before at 18.1%.
6. General Staffing Industry was primarily driven by demands from FMCG, E commerce, Manufacturing, Healthcare, Retail, Logistics, Banking, Energy etc.
7. IT Staffing Industry witnessed a sharp jump with 30.7% growth adding further new employment, than the year before at 14.1%. The demands were driven primarily with the digital adoption across sectors A few promising impact sectors to continue will be Fintech, IT, Infra, etc.
8. IT staffing industry post Q 2 also started witnessing a stabilisation in the demand, with Q 4 bringing a sharp response from geopolitical scenario developing across the world from the Ukraine war, impact of global financial markets among others.
9. Overall, the Staffing Industry continued a stable Quarter on Quarter (Nett employment) growth at 4.2 % in Q 4 22.
10. Staffing industry is poised to continue its contribution in the formal employment growth, as demand is seen to be moving at a stable rate.

(Source: Prospectus)



Addressable Market for ITCONS E-Solutions Limited

The company currently sells its products domestically. As a part of Company's growth strategy their focus is on increasing sales volume through expansion, diversification and spread in geographical outreach.

Competition

The staffing industry in India is very unorganized and highly fragmented and the main challenges lies in quality, reliability, pricing and goodwill to mention the least in India. There are no entry barriers in the industry which puts us to the threat of competition from new entrants as there are numerous players operating in the industry. Company faces tough competition in the business from a large number of unorganized as well as from organized players operating in the similar space.

Peer Analysis

As provided in the prospectus, the company has mentioned 2 listed company as its peer viz. Integrated Personnel Services Limited, ANI Integrated Services Limited-

Company	ITCONS E-SOLUTIONS LIMITED	Integrated Personnel Services Limited	ANI Integrated Services Limited
Net Profit (INR Cr)	1.19	4.01	5.64
EBITDA (INR Cr)	1.65	7.37	7.95
Return on Capital Employed	72.31%	13.49%	16.46%
Return on Equity	53.31%	23.34%	12.28%
EPS# (INR)	5.98	7.95	5.64
P/E* (Times)	8.53	15.43	41.38

#EPS on post IPO basis

*As on 01/03/2023

Promoters' Profile and Management Analysis

Mr. Gaurav Mittal



- Mr. Gaurav Mittal, aged about 48 years, is the Promoter and Managing Director of the company.
- He holds Bachelor's Degree in Electrical Engineering from Dr. Ram Manohar Lohia Avadh University, Uttar Pradesh; Doctorate Degree in Ayurveda Astrology & Vastu Science from Good News International University, USA; Post Graduate Diploma in Business Administration from Hindu Institute of Management, Sonapat; Microsoft Certified Professional as Solution Developer from Microsoft; Project Management Professional from Project Management Institute.
- He has more than 22 years of experience in IT industry.

Mrs. Swati Jain



- Mrs. Swati Jain, aged 48 years, is the Promoter of the company.
- She has a Master's Degree in Computer Application and Post Graduate Certification Programme in "Strategic Management"



Analysis on the Company's Promoter and Board of Directors

Mr. Gaurav Mittal, aged about 48 years, is the Promoter and Managing Director of the company. He has been on the Board of Directors since inception. He holds Bachelor's Degree in Electrical Engineering from Dr. Ram Manohar Lohia Avadh University, Uttar Pradesh; Doctorate Degree in Ayurveda Astrology & Vastu Science from Good News International University, USA; Post Graduate Diploma in Business Administration from Hindu Institute of Management, Sonapat; Microsoft Certified Professional as Solution Developer from Microsoft; Project Management Professional from Project Management Institute. He has more than 22 years of experience in IT industry and also worked in various capacities like Chief Technology Officer, Project Manager, Program Manager, Ops Manager and Manager Transition carry good hands-on experience not only in Technology but in business financial/ sales marketing specially Cash flow management, financial planning and Client relationship management etc.

Mr. Chetan Prakash Mittal, aged about 86 years, is the Executive Director cum Chief Financial Officer the Company. He has been on the Board of Directors since inception. He holds a Bachelor's Degree in Commerce from Chowdhary Charan Singh. He has also cleared Departmental SAS (Subordinate Audit/Account Services). He has 34 years of experience in the field of finance, accounts and auditing for Controller General of Defence Accounts, Government of India. As Chief financial officer of ITCONS, he is responsible for planning, taking significant decisions relating to investment, making strategies, and managing financial activities, including budgeting, forecasting expenses, mitigating financial risks for sustainable growth with overall supervision of finance and accounts team the employees.

Mrs. Prem Lata Mittal, aged about 78 years, is the Executive Director of the company. She holds a Bachelor's Degree in Arts from Delhi University. She has more than 15 years of experience in the field of marketing and branding with ITCONS E-Solutions Limited.

Mrs. Archana Gangal, aged about 50 years, is the Non-Executive Director of the company. She holds a Master's Degree in Arts. She has 10 years of experience as an Angel Investor.



Mr. Ayush Jindal, aged about 25 years, is the Non-Executive Director of the company. He holds a Bachelor in Technology Degree in Computer Science and Engineering from Amity University, Uttar Pradesh and now he is pursuing Internship in Master in Management Grande Ecole from ESCP Business School, France. He has more than 2 years of experience as Software Developer and Associate Product Manager.

To conclude, the company's Individual promoters and corporate promoter are very well experienced in the business in which company operates. The executive directors do not seem to continue with the company for a longer period of time and the company seems to be dependent on the decisions of MD only. The independent director of the company can be a good driving force, but it seems it could have been constructed in a more thoughtful manner as it looks like it has just been formed to meet the regulatory requirements.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
Profit and Loss			
Revenue from operations	832.22	1,805.26	1,605.05
Other income	10.26	15.10	-
Total Revenue	842.48	1,820.36	1,605.05
Expenses	819.27	1,640.47	1,443.43
Depreciation and Amortisation Cost	4.71	3.24	3.86
Finance Cost	8.41	11.08	8.16
Total Expenses	832.39	1,654.79	1,455.45
PBT	10.09	165.57	149.60
PBT Margin	1.21%	9.17%	9.32%
EBITDA	12.95	164.79	161.62
EBITDA Margin	1.56%	9.13%	10.07%
Net Profit	7.53	119.11	106.12
Net Profit Margin	0.90%	6.60%	6.61%
Balance Sheet			
Total Borrowings	136.33	106.23	176.70
Net Worth	104.31	223.42	462.23
Fixed Assets	8.11	5.25	44.46
Net Working Capital	84.89	193.79	376.84
Financial Measures (Annualised)			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	6.08	6.49	5.95
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	102.62	343.86	87.37
Return on Capital Employed	7.90%	72.31%	22.10%
Return on Equity	7.22%	53.31%	14.79%
Debt-Equity Ratio	1.31	0.48	0.12

(The data has been taken and calculated from the financials given in the prospectus)



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 12.95 lacs in 2021 to Rs. 164.79 lacs in 2022 and on 30th Sep 2022 it was Rs. 161.62 lacs and if we annualise the same it would be around Rs. 323.24 lacs. The EBITDA on annualised basis has grown at a CAGR of 399.61% which raises some concerns regarding sustainability. The EBITDA margin in 2021 was 1.56%, 9.13% in 2022 and 10.07% up to 30th Sep 2022.

Net Profit

The net profit of the company has grown from Rs 7.53 lacs in 2021 to Rs. 119.11 lacs in 2022 and as on 30th Sep 2022 it was Rs. 106.12 lacs and if we annualise the same it would be around Rs. 212.24 lacs growing at a CAGR of 430.90%. The net profit margin in 2021 was 0.90%, 6.60% in 2022 and 6.61% up to 30th Sep 2022. Growth in net profit margin seems very high and unsustainable.

Finance Cost.

The company's finance cost mainly due to short terms borrowings and long term borrowings availed by the company.

Financial Measures/Ratios

RoCE of the company up to 30th Sep 2022 is 34.13% vs 72.31% in 2022 and 7.90% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 22.10%. The RoCE is expected to decrease due to increase in new capital brought in by the company in the form of equity.

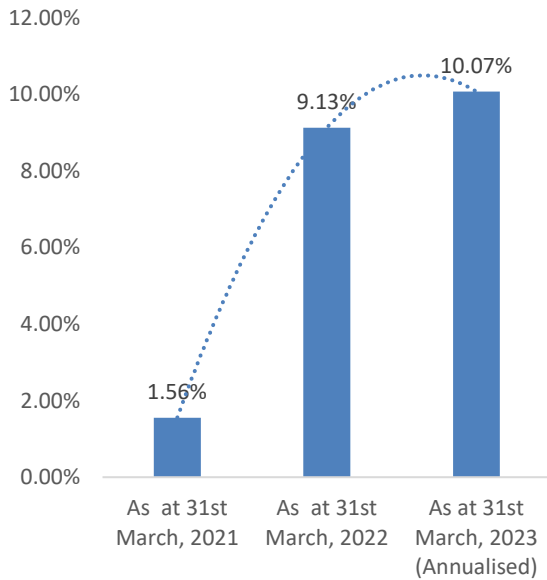
ROE of the company in 2021 was 7.22%, 53.31% in 2022 and 22.96% up to Sep 2022, if annualised, ROE would be around 14.79%.

The company has a debt-equity ratio of 0.38 which shows the company is not decently leveraged and could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.12 times post IPO.

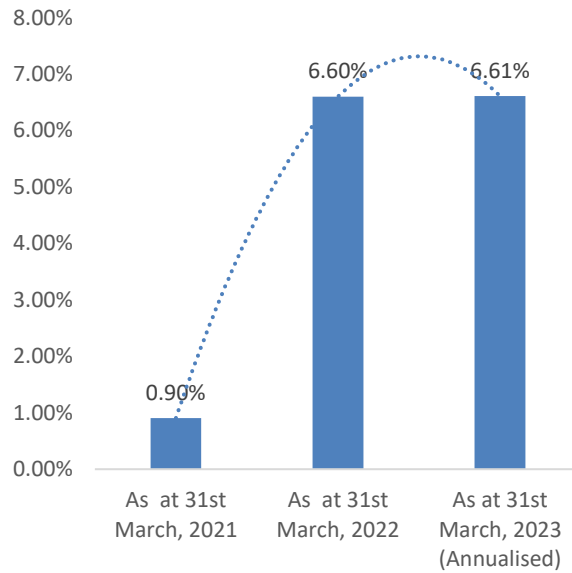


Financial Charts

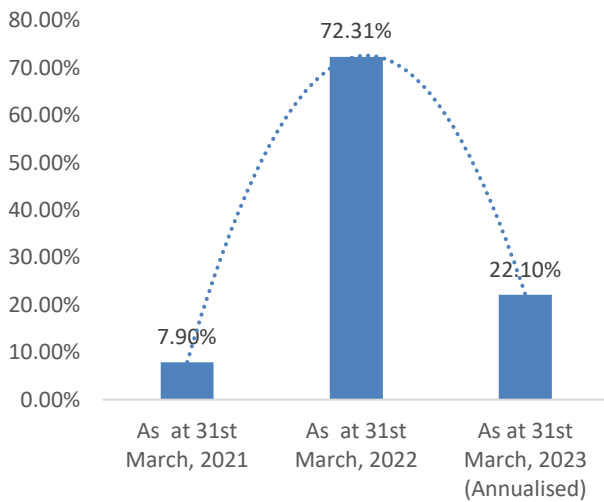
EBITDA Margin



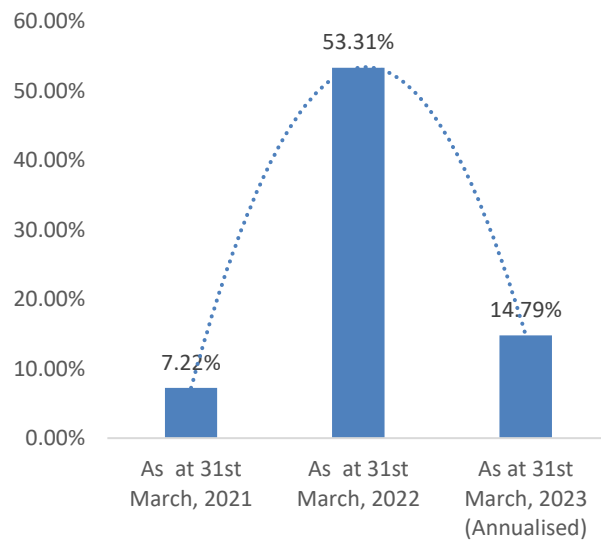
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. Company has negative net cashflow from operating activities in the half year ended 30th Sept 2022.
2. There are certain civil and tax litigations pending against the company and directors respectively.
3. The company is highly dependent on KMPs and managers who recruit and handle staffing services. Loss in any of those can harm the company severely.

**Track Record of Lead Manager**

The lead manager to the issue is Finshore Management Services Limited. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Swaraj Suiting Limited	10.68	56/-	28/03/2022	44.05
2.	Fone4 Communications (India) Limited	6.80	10/-	06/05/2022	6.01
3.	Scarnose International Limited	6.60	55/-	27/06/2022	53.00
4.	Healthy Life Agritech Limited	10.00	10/-	26/07/2022	6.50
5.	Agni Green Power Limited	5.25	10/-	01/08/2022	22.30
6.	Upsurge Seeds of Agriculture Limited	22.81	120/-	11/08/2022	422.60
7.	Naturo Indiabull Limited	10.92	30/-	02/09/2022	10.60
8.	Mega Flex Plastics Limited	11.40	40/-	19/09/2022	33.80
9.	Containe Technologies Ltd	2.62	15/-	30/09/2022	70.50
10.	Arham Technologies Limited	9.58	42/-	15/12/2022	55.85
11	Indong Tea Company Limited	13.01	26/-	21/02/2023	17.01

#CMP is taken as on 01st March 2023

This is the 33rd mandate from Finshore Management in the last five fiscals (including the ongoing one). Out of the last 10 listings, 2 opened at discount, 1 at par and the rest at premiums ranging from 0.91 % to 150 % on the listing date. Thus, it has an average track record.



Recommendation

The company has a good track record of existence with being incorporated in the year 2007 but its revenue doesn't clearly reflect its long existence.

The company provides end to end staffing services making it a complete package for their customers but their growth in revenue and profits in the last 3 years have been alarming and raises some concerns regarding their sustainability.

The management of the company is highly experienced in their respective fields of business; however, the independent directors of the company seem to be selected as an obligatory requirement.

The PE of the company on Post IPO basis comes to around 8.53 times which makes it a fairly priced issue keeping in mind the sector PE to be of around 37.97 times.

To conclude, there are more negatives for the company, than positives. The industry prospect is good but is highly competitive which is also visible in the company's margins. So, one who is **risk taker may apply** in the IPO and **risk averse should wait** and see if the company can capitalise on the opportunities.



Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.